

**MINUTES OF THE MEETING OF
THE ADVISORY COMMITTEE OF THE
LOCAL GOVERNMENT PROPERTY INSURANCE FUND**

Wednesday, April 6, 2005

**Office of the Commissioner of Insurance
GEF 3
125 South Webster, Room 227
Madison**

PRESENT: Kevin Houlihan, Chair, City of Madison
Glinda Loving, Vice Chair, Milwaukee Metropolitan Sewage District
Nicholas Alioto, 2nd Vice Chair, Tigerton School District
Carole Charles, Outagamie County
Connie Fisher, Chippewa County
Don LaFontaine, City of Oshkosh
Andrew Licata, Hayward Community Schools
Keith Lucius, Ashwaubenon School District
Peter Masias, City of Green Bay
Diane Pertzborn, School District of Lodi
John Rath, Milwaukee County
Harold Reckelberg, Town of Luxemburg
John Roth, Lake Geneva School District
Doug Saubert, City of Whitewater
Laura Stauffer, Waukesha County
Ken Tronnier, Portage County
Barb Wegner, Dane County

GUESTS: Eileen Mallow, Office of the Commissioner of Insurance
Dan Bubolz, Office of the Commissioner of Insurance
Lowell Carter, The ASU Group
Greg Grunow, The ASU Group
Sue Hoffman, The ASU Group
Fred Haring, The ASU Group
April Zelinski, The ASU Group
Dave Marchant, Marchant Consulting
Gail Flannery, AMI

ABSENT: Gary Hansen, Rosendale-Brandon School District
Julee Helt, Village of Waunakee
Ken Rogers, Eleva Strum School District
Jerry Runice, Berlin Area School District

Kevin Houlihan called the meeting to order at 9:30 a.m.

Kevin Houlihan welcomed attendees and introductions were made.

In accordance with the Advisory Committee By Laws that were adopted in October 2003, Kevin Houlihan conducted the **Appointment of Members** to the Advisory Committee in accordance with the attached schedule. The new Candidate Members have already complied with the requirement to submit letters from their employers within sixty (60) days to the Administrator verifying that they have the approval to represent their entity on the Committee.

Upon a motion duly made by Andrew Licata and seconded by Don LaFontaine, it was unanimously

RESOLVED, that the Advisory Committee appointments of the following candidates are approved as presented:

<u>Name</u>	<u>Term of Appointment</u>	<u>Seat</u>
Ken Tronnier	December 31, 2005	At Large
Peter Masias	December 31, 2007	Cities
Diane Pertzborn	December 31, 2007	At Large

Kevin Houlihan discussed **Sub-Committee Appointments**.

Diane Pertzborn, Ken Tronnier and Peter Masias agreed to serve as members of the Loss Control Sub-Committee. Glinda Loving agreed to serve as the Chair of the Reinsurance/Flood Sub-Committee. John Roth agreed to serve as a member of the Rate Analysis Sub-Committee.

The agenda was reviewed and no new items added.

Upon a motion duly made by John Rath and seconded by Harold Reckelberg, it was unanimously

RESOLVED, that the minutes of the Advisory Committee of October 27, 2004 are approved as presented.

Old Business

Eileen Mallow updated the Committee regarding Marathon County. The involved parties have arrived at a settlement with the reinsurer picking up a significant portion of the claim.

Dan Bubolz provided a status on the Electronic Statement of Values Project and Total Component Method. OCI has lost IT support for the project. The Fund is now working with Marchant Consulting and ASU to implement a three phase plan that includes incorporating the data elements and structure into Pinsoft; creating a web interface;

and, evaluating and implementing an improved valuation process. The target date for completion is June 30, 2006.

Dan Bubolz and Dave Marchant discussed the Fund Computer System Upgrade. The policy system has been converted; the claims system is being converted and staff will begin using the new system "live" as of April 7, 2005. A positive effect on policyholders from the conversion will be that they will begin receiving a 5 year Loss Run with their renewal packets as of May 2005 renewals.

Dan Bubolz reported on the Fund's Reinsurance and Terrorism coverage. The layers have been increased by \$50 million to \$375 million. More coverage was obtained for a reduction in annual premium. A question was raised regarding Willis receiving a commission from their wholly owned subsidiary, Stewart Smith, for the renewal in 2004. This arrangement must be disclosed but is allowed in the State of Wisconsin. The Fund has required that all commissions be disclosed.

Eileen discussed the Legislative Audit Bureau Audit of the Fund. During the most recent audit, it was discovered that 3 years of files were destroyed for which the prior Administrative Contractor was responsible. Aon has recently reported that the recreations of files has been completed, and are ready to be audited. OCI has asked ASU to conduct a review of the files to assure that the files are in compliance with LAB standards. The additional cost of the audit to the Fund as a result of this went up \$35,000 (from an original cost of \$65,000).

Dan Bubolz discussed the outcome of the Administrative Contractor and Actuary RFPs. Four bids were received and ASU was selected as the Administrative Contractor for one year, with four one year renewal options. Five bids were received for actuarial services, and the contract was awarded to AMI.

Kevin Houlihan conducted the **Selection of Officers**. Vice Chair, Glinda Loving, was asked to facilitate the selection of Chair. Kevin Houlihan was nominated for the position of Chair in a submission received prior to the meeting. No additional nominations had been submitted prior to the meeting. Glinda solicited nominations from the floor, and none were submitted.

Upon a motion duly made by Nicholas Alioto and seconded by Carole Charles, it was unanimously

RESOLVED, that Kevin Houlihan is selected to serve as Advisory Committee Chair for 2005.

Kevin Houlihan facilitated the selection of Vice Chair. Glinda Loving was nominated for the position of Vice Chair in a submission received prior to the meeting. No additional nominations had been submitted prior to the meeting. Kevin solicited nominations from the floor, and none were submitted.

Upon a motion made by Don LaFontaine and seconded by Nicholas Alioto, it was unanimously

RESOLVED, that Glinda Loving is selected to serve as Advisory Committee Vice Chair for 2005.

Kevin Houlihan facilitated the selection of 2nd Vice Chair. Nicholas Alioto is the incumbent. Laura Stauffer was nominated for the position of 2nd Vice Chair in a submission received prior to the meeting. No additional nominations had been submitted prior to the meeting. Kevin solicited nominations from the floor, and none were submitted. A secret ballot was conducted for selection of this position. Both candidates spoke to the Committee. The results of the ballot were tabulated by ASU staff and announced by Kevin.

Upon a motion duly made by Carole Charles and seconded by Barb Wegner, it was unanimously

RESOLVED, that Laura Stauffer is selected to serve as Advisory Committee 2nd Vice Chair for 2005.

Dave Marchant presented the **Financial Report** for the 2nd Quarter Ending December 31, 2004. Dave reminded the Committee that he compiles the data but does not audit it. Dave highlighted some of the more significant areas of the report including:

- Ending surplus reached \$27 million, up from \$24 million for the same period in the prior year
- Direct premium earned is \$12.8 million
- The Fund achieved an underwriting gain of just under \$2.5 million
- A very good net composite ratio of .77 on the dollar was accomplished
- Annual premium is down slightly from the prior year due to loss of policyholders and the election of higher deductibles
- Claim experience is holding at a low volume
- One large claim accounts for most of the incurred dollars for this fiscal year

Committee Reports

Nick Alioto presented a report on behalf of the **Rate Analysis Sub-Committee**. The Fund actuary, Gail Flannery of AMI, was present at the meeting to answer any questions.

Nick presented the recommendations of the sub-committee. There was some discussion regarding how ISO rates are implemented, and the "timing" issue of the decreases. John Rath pointed out that the sub-committee did not recommend a dividend be considered at this time.

Upon a motion made by Nicholas Alioto and seconded by Glinda Loving, it was unanimously

RESOLVED, that the Advisory Committee approve the recommendation of the Rate Analysis Sub-Committee to adopt the two most recent Experience Loss Adjustments from the Insurance Services Office effective December 1, 2005 for renewal business.

Upon a motion made by Nicholas Alioto and seconded by John Roth, it was unanimously

RESOLVED, that the Advisory Committee approve the recommendation of the Rate Analysis Sub-Committee to reduce rates by 7.6% on Auto Physical Damage, 13.2% on Burglary and Theft, and 12.9% on Inland Marine effective July 1, 2005 for new and renewal business.

Dan Bubolz noted that the above rate decreases were one-half of the rate redundancy amounts indicated in the actuarial study. He also noted that the actuary was asked to supplement their study to review results by deductible, as many policyholders have opted to take larger deductibles. Gail Flannery commented that AMI analysis suggests that the auto deductibles appears to be on target; however, indications are that the building and contents \$500 deductible credit may be too generous while the higher deductible credits may be too conservative. These are preliminary findings given recent significant movement in insureds taking higher building and contents deductibles and not enough credible data has emerged to render an opinion on the deductible table credits. Dan reported the Fund would annually continue to review these tables to see how experience was developing.

Don LaFontaine provided a report on the activities of the **Claims & Policy Issues Sub-Committee**. Don reviewed the sub-committee's assignments for 2005, and provided updates on each topic. The most comprehensive area of discussion involved the "Policy Rewrite" project. Don presented the sub-committee's recommendations, discussing miscellaneous language issues, and such coverage concerns as the "Forgot" clause, Extra Expense, Contractor's Equipment, and Increased Cost of Construction.

Keith Lucius pointed out that the smaller school districts would likely move their business away from the Fund if the "Forgot" clause was altered, and asked for this item to be reconsidered by the sub-committee.

In addition, Don discussed the sub-committee's activities pertaining to AAA Revised Input Forms, Waiver of Subrogation "guidelines", and the Total Component Method of Valuation.

Upon a motion duly made by Keith Lucius and seconded by Andrew Licata, it was unanimously

RESOLVED, that the Advisory Committee approve the recommendations and future activity of the Claims & Policy Issues Sub-Committee as outlined in their report of April 6, 2005, with the understanding that they agree to revisit the "Forgot" Clause and Extra Expense recommendations.

Discussion ensued regarding experience rating and the impact of loss control and higher deductibles. The Loss Control Sub-Committee was asked to review this topic and report back to the Advisory Committee. Some suggestions to the sub-committee included educational seminars to address loss control and claims management.

Dan Bubolz presented the **Manager's Report**.

1. Probable Maximum Loss Study

The Fund will be conducting a probable maximum loss study of the top ten risks insured by the Fund under its contract with Willis, the Fund's excess of loss broker. Most of these risks are located in the Milwaukee area. On site visits are contemplated, with an overall project cost of approximately \$23,000. The analysis will be looking primarily at the perils of fire and windstorm, as well as, earthquake and terrorism loss modeling. When the modeling is completed, the information will be used to analyze the excess of loss program (reinsurance) requirements. The Loss Control Sub-Committee will be asked to assist in the evaluation of this study. Target for beginning this project is Summer 2005.

April Zelinski, Fred Haring, Lowell Carter, Greg Grunow and Sue Hoffman, presented the **Administrator's Report**.

1. Claims

i. Activity Report

Greg Grunow reviewed the claims data and noted that while the total incurred losses for FY 2005 is higher than in recent years, about \$2 million of that is one claim. By removing that claim from the average claim amounts paid for schools, the average paid drops from over \$83,000 to about \$6,400. He pointed out that claim counts are down, but severity is higher due to larger deductibles.

ii. Subrogation and Recoveries

There are five outstanding large claims with subrogation potential of over \$2.4 million, and an additional 131 claims with recovery potential of almost \$1 million.

iii. Loss Control

Greg included an article for the Committee regarding Aggressive Driving.

2. Policy Administration

i. Activity Report

Sue Hoffman reviewed the policy services data. Insurance in force is up by 2.2%, but annual premium in force is down by 5.3% due to losing a number of policyholders and policyholders taking higher deductibles.

53 accounts have been lost through the end of February 2005, with 22 new policies written, for a net loss of 31 policies. Most of the losses by entity type are Villages, but the dollar impact is more significant with the loss of two Counties.

3. Survey Results

April reviewed the most current results of policyholder surveys. Overall, the percentage of surveys being returned remains at an unusually high level. The results for both policy and claim services are very good and reflect a high level of satisfaction of the majority of the policyholders.

Dan noted that the Fund is working towards the availability of a web based survey form.

John Rath wished to go on record stating that in his opinion, the staff and services being provided by ASU are very professional.

The **Next Meeting of the Advisory Committee** will be held on October 5, 2005 beginning at 9:30 a.m. at the same location.

Upon a motion duly made by John Rath and seconded by Nicholas Alioto, it was unanimously

RESOLVED, that the meeting of the Advisory Committee is adjourned at 12:05 p.m.

Respectfully submitted,

April Zelinski, Acting Secretary

Date

ATTEST:

Kevin Houlihan, Chair

Date